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Financial Report
OF
GEO. A. HORMEL & COMPANY
AUSTIN, MINNESOTA
for the
Fiscal Year Ended October 28, 1961



FIVE YEAR REVIEW

(In thousands of dollars)

	1961	1960	1959	1958	1957
Sales	\$384,145	\$372,276	\$401,723	\$373,181	\$347,989
Net Earnings	3,147	4,533	5,839	3,000	3,315
Wage Costs	71,574	71,291	71,154	63,828	61,357
Total Taxes	4,814	6,233	7,667	4,462	4,336
Depreciation	2,400	2,186	2,165	2,105	2,061
Properties (net) ..	19,345	19,159	18,686	19,126	19,863
Working Capital ..	30,281	27,934	28,189	24,606	23,667
Stockholders'					
Investment	46,138	42,400	40,983	36,637	35,130

<i>Sales tonnage</i> (million pounds)	1,094	1,122	1,167	1,001	1,060
<i>Net earnings to:</i>					
Sales8%	1.2%	1.5%	.8%	1.0%
<i>Sales tonnage</i> (cwt.)	29¢	40¢	50¢	30¢	31¢
<i>Per share earnings</i> <i>on common stock</i> (adjusted)	\$2.63	\$3.79	\$4.88	\$2.51	\$2.77

Austin, Minnesota
December 4, 1961

To the Stockholders of
Geo. A. Hormel & Company

The management of your company presents herewith statements of the financial position, operating results, and stockholders' investment for the year which ended October 28, 1961.

Dollar sales for the year, after returns and allowances, were \$384,144,857, as compared with \$372,275,827 last year, an increase of 3.2%.

Sales tonnage was 1,094,486,860 pounds, a decrease of 27,836,166 pounds, or 2.5% under a year ago. For the seventh consecutive year, sales tonnage has exceeded one billion pounds.

After providing \$4,814,244 for all taxes, net earnings for the year were \$3,147,435, as compared with \$4,532,616 a year ago, a decrease of \$1,385,181. The earnings this year were \$2.63 on each share of common stock.

The decrease in earnings and the reduction in sales tonnage were caused substantially by downward pressures on margins, brought about in part by large supplies of poultry marketed at unusually low prices, and by the increasing competition of all segments of the food business for the consumer dollar. An additional contributing factor was the continued high cost of slaughtering and processing beef.

By reason of the inadequacy of the supplies of processing beef, your company found it necessary to purchase substantial quantities of such beef, both on the domestic market and the foreign market.

The working capital of the company was \$30,281,287, an increase of \$2,347,384 over a year ago, resulting primarily from the merger of Hormel Incorporated. The sum of cash, government securities, and accounts receivable exceeded current liabilities by \$11,921,212 and all liabilities by \$8,321,212. Depreciation for the year was \$2,399,708. Capital expenditures were \$2,658,475.

The net profit per dollar of sales still continues very low as compared with other industries. This year, it was only 8/10 of one cent per dollar of sales, and only 29 cents per hundredweight of product sold.

Dividend distributions for the year were \$1,673,869 consisting of four quarterly dividends of 35 cents a share on common stock, or a total dividend payment of \$1.40 a share. This dividend distribution marks the thirty-third consecutive year in which the company has paid dividends to stockholders.

The Joint Earnings distribution to eligible employees, the twenty-third consecutive such distribution, amounted to \$302,372, making a total distribution, since the beginning of the Joint Earnings Plan, of \$24,350,440. In addition, the sum of \$1,600,000 was contributed to the Employees' Pension Plans.

An advance payment of \$1,200,000 was made on the term loan, reducing the balance of that loan to \$3,600,000, with no payment due un-

til November 15, 1962. Other than this balance on the term loan, the company had no money borrowed from banks at the end of the fiscal year.

A new labor contract has been negotiated with the unions by the major packers covering the next three-year period. In accordance with the regular and established procedure under our agreement, on September 1, 1961, we increased wages 7 cents per hour for the first year, and agreed to increases of 6 cents per hour the second year, and 6 cents per hour the third year. This agreement also provides for an increase in pensions.

During the year, the company completed a substantial addition to the plant in Fremont, Nebraska, thereby providing that unit of the company with much-needed space and facilities for its expanding operation. New smokehouse facilities and additional operating space were constructed at the processing plant in Fresno, California. Plans have been finalized and property acquired for a distribution center in Charlotte, North Carolina. In Austin, Minnesota, construction has commenced on a new bulk animal-feed plant, as well as substantial improvements to modernize the facilities and flow of product in the hog kill, in the beef coolers, and in the manufacture of sausage.

It is hoped that our stockholders and our employees will have a growing appreciation of the necessity of keeping our production techniques and facilities on a modern and up-to-date basis to reduce operating costs, and to enable our products to meet competition more effectively.

The company continues to advertise its principal products on a selected basis — national, sectional, and local — through the medium of radio, television, newspapers and magazines.

With the increase in the supply of hogs coming to market and with the expected increase in the numbers of fed cattle, your company enters the new year with full confidence that its production, sales, and administrative personnel will work in complete harmony to continue the growth of the company.

Pursuant to the terms of an agreement of merger, which was approved by the stockholders of Geo. A. Hormel & Company at the annual meeting of December 20, 1960, Hormel Incorporated was merged with and into Geo. A. Hormel & Company, effective December 30, 1960. By reason of the pooling of interests of Hormel Incorporated and Geo. A. Hormel & Company, the principal results of the merger were an increase in working capital of \$2,261,977, an increase in outstanding capital stock of 70,321 shares (aggregate par value \$527,407), an addition to paid-in capital of \$154,838 and an increase in earnings reinvested in the business of \$1,582,086.

Again, we want to express our sincere appreciation for the support and cooperation of our employees, customers, livestock producers, and our stockholders.

H. H. COREY
Chairman of the Board

R. F. GRAY
President

GEO. A. HORNE

Statement of Financial Position

October 28, 1961

CURRENT ASSETS

Cash	\$ 9,789,815	
United States Government securities—at cost which approximates market price	6,502,801	
Accounts receivable, less allowance of \$100,000	16,355,125	
Inventories of products, livestock, packages and materials—at lower of cost (principally first-in, first-out) or market	18,131,023	
Prepaid insurance and other expenses	229,052	
Total Current Assets		\$51,007,816

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$17,894,474	
Dividends payable November 15	418,467	
Federal taxes on income—estimated	2,413,588	
Total Current Liabilities		20,726,529

WORKING CAPITAL

\$30,281,287

INVESTMENTS—at cost

112,500

PROPERTY, PLANT AND EQUIPMENT

on the basis of cost

Land	\$ 499,313	
Buildings (\$18,881,397) and equipment	\$42,901,179	
Less allowances for depreciation	24,732,861	18,168,318
Movable equipment—inventoried at cost, less depreciation	676,891	19,344,522
		<u>\$49,738,309</u>

LONG TERM DEBT

Unsecured notes payable to banks \$1,200,000 on November 15, 1962, November 15, 1963 and June 30, 1964	3,600,000
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STOCKHOLDERS' INVESTMENT

\$46,138,309

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Statement of Stockholders' Investment

CAPITAL STOCK

(At October 28, 1961)

Common stock, par value \$7.50 a share:

Authorized 1,600,000 shares

Issued and outstanding 1,195,621 shares \$ 8,967,157

Additional paid in capital 1,945,088 \$10,912,245

EARNINGS REINVESTED IN BUSINESS

Balance October 30, 1960 \$32,170,412

Add:

Net earnings for the year \$3,147,435

Arising from merger

of Hormel Incorporated 1,582,086 4,729,521

\$36,899,933

Deduct cash dividends on common

stock — \$1.40 a share 1,673,869

Balance October 28, 1961 (under provisions

of long-term debt agreement \$17,587,706

not available for cash distributions on

common stock) 35,226,064

TOTAL STOCKHOLDERS' INVESTMENT

\$46,138,309

STATEMENT OF EARNINGS

Fiscal Year Ended October 28, 1961

SALES (less returns and allowances)	\$384,144,857
Other income	287,239
	<u>\$384,432,096</u>

COSTS, EXPENSES AND TAXES

Cost of products sold, selling, delivery, administrative and general expenses, exclusive of items shown separately	\$302,159,717
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Wage costs:

Wages and salaries, including joint earnings	\$65,718,780	
Pension trust contributions	1,600,000	
Federal and state unemployment and old age contributions	1,467,390	
Group life, hospitalization and sick leave	<u>2,787,872</u>	71,574,042

Provision for depreciation	2,399,708
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Interest	336,950
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Taxes:

State income, property and other taxes	\$ 1,689,244		
Federal taxes on income (estimated)	<u>3,125,000</u>	<u>4,814,244</u>	<u>381,284,661</u>

NET EARNINGS	<u>\$ 3,147,435</u>
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ACCOUNTANTS' REPORT

To the Stockholders and Board of Directors

Geo. A. Hormel & Company

Austin, Minnesota

We have examined the statement of the financial position of Geo. A. Hormel & Company as of October 28, 1961, and the related statements of earnings and stockholders' investment for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial position, earnings, and stockholders' investment present fairly the financial position of Geo. A. Hormel & Company at October 28, 1961 and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

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Minneapolis, Minnesota

November 20, 1961

OFFICERS

H. H. Corey	-	-	-	-	-	-	Chairman of the Board
R. F. Gray	-	-	-	-	-	-	President
M. B. Thompson	-	-	-	-	-	Executive	Vice President
R. D. Arney	-	-	-	-	-	-	Vice President
Bruce Corey	-	-	-	-	-	-	Vice President
E. H. Flitton	-	-	-	-	-	-	Vice President
E. J. Garrity	-	-	-	-	-	-	Vice President
John R. Jones	-	-	-	-	-	-	Vice President
J. L. Olson	-	-	-	-	-	-	Vice President
Geo. W. Ryan	-	-	-	-	-	Vice President and Treasurer	
Fayette Sherman	-	-	-	-	-	-	Vice President
I. J. Holton	-	-	-	-	-	-	Secretary
E. H. Larson	-	-	-	-	-	-	Controller
R. C. Dougherty	-	-	-	-	-	-	Assistant Secretary
E. C. Alsaker	-	-	-	-	-	-	Assistant Controller
R. H. Biedermann	-	-	-	-	-	-	Assistant Controller

DIRECTORS

R. D. Arney							
	Bruce Corey						
		H. H. Corey					
			R. F. Gray				
				I. J. Holton			
					James C. Hormel		
O. L. Marquesen							
	Gordon Murray						
		J. L. Olson					
			Geo. W. Ryan				
				Fayette Sherman			
					M. B. Thompson		



